No. 3946

United States Circuit Court of Appeals for the Ninth Circuit

PAUL HARBAUGH,
Appellant,

vs.

JOSEPH F. DWYER,
Appellee.

APPELLANT'S PETITION FOR REHEARING

T. J. GEISLER,
Counsel for Appellant.

IRWIN-HODSON

IN

United States Circuit Court of Appeals for the Ninth Circuit

PAUL HARBAUGH, Appellant, vs. JOSEPH F. DWYER, Appellee.	No. 3946.

APPELLANT'S PETITION FOR REHEARING

APPELLANT'S PETITION FOR REHEARING

The appellant prays for a rehearing of this appeal on the following grounds:

The lower court, in deciding that appellant's theory as to his right to recover is wrong, passed only on one phase of the whole case presented by the facts certified by the Master's report; and, it is submitted this Court

will dispose of all vital questions arising on the record, according to the principles of equity and justice.

The doctrine under which the lower court refused appellant any damages was *public policy.* This doctrine, of course, is not applied for the benefit of Appellee, but through him for the public.

But a fundamental principle is:

"The Court should vindicate the integrity of its process" (Townsend vs. Smith, 3 N. W. 439; 47 Wis. 623) and not permit a party to maliciously abuse the same.

And relief will be given where the ends of public policy will be promoted by so doing, not for the benefit of the party but through him for the public; thus protecting the public against the abusive use of the process of its courts.

Wright vs. Stewart, 130 Fed. 905, 921 (Affirmed 147 Fed. 321 C. C. A. 8th); Meech v. Lee, 82 Mich. 274, 46 N. W. 383, 400.

In the case at bar the Master's report shows that *Appellee acted in bad faith* in the premises; *he was guilty of the malicious abuse of the process of injunction* for the purpose of *stifling his only competitor,* and in that way getting for himself the fruits of a monopoly. No similar case is to be found in the books; at least has not been presented upon a challenge of the Appellee to do so; nor could it be found upon diligent search by Appellant. That is to say *no case is to be found where*

the doctrine of public policy was applied in favor of that one of two parties, who in addition to being guilty of the illegal act chargeable to both, was further guilty of the malicious abuse of the process of the court, in order that he might—and thereby did—fill his own pockets.

Equity is not limited to *negative* action in giving effect to the doctrine of public policy, but in a proper case will act *positively* also. *Public Policy is promoted by discouraging all forms of fraud.* Bath Gas Light Co. v. Claff. 151 N. Y. 24.

As said in Wright v. Stewart, Supra *"Where the ends of the public policy will rather be promoted by giving than refusing relief, the courts prefer the former.*

1 Cooley on Torts (3rd Ed.) P. 357 it is said that

"No one shall derive advantage from the abuse of the process of the court, or by his fraud or misconduct."

In Antchiff v. June 81 Mich. 492; 10 L. R. A. 621 the court, citing Cooley on Torts, said if process is wilfully made use of for a purpose not justified by the law, this is a malicious abuse of process. See also Savage v. Brewer, 16 Pick (Mass.) 453; 28 Am. Dec. 255, in which the court quoted from Sinclair v. Eldred 4 Tort, 7, Lord Mansfield as saying: "I remember not a few gross abuses of the legal processes which in various forms have been subjected to judicial investigation; and we must take care that the evil should not be suffered

to increase by any laxity in the administration of justice."

"Instances are not wanting where patentees make illicit use of the courts as instruments of oppression." Acetylene Co. v. Avery Co., 152 Fed. 642, 645.

In 1 Street's foundation of Liability P. 334 it is said "*In whatever sense malice is necessary (in seeking retribution for the apparent abuse of process) the element will be inferred from the advertent doing of harm*". In brief, "if process, either civil or criminal, is wrongfully made use of for a purpose not justified by the law, this is classified as a *malicious abuse* of process". (1 Cooley on Torts 3rd Ed. P. 354.)

In the case at bar malice on the part of Appellee in suing out his injunction is specifically shown. The record shows he made material assertions about his patent which he knew were not true. The Master found that Appellee was not acting in good faith in obtaining his injunction (Trans. 42). Thus the burden rested heavily on Appellee to make some satisfactory explanation of his conduct (Savage v. Brewer, 16 Pick Mass. 453). Yet he offered no extenuating circumstances, even though called by Appellant, and cross examined by his own counsel. (Trans. 178.)

Apparently this Court took Appellee's conduct into consideration, for it said "it is to be regretted that the Appellee has profited by an abuse of the process of the court." But the court was of the belief that the appel-

lant was in a measure responsible for such miscarriage of justice; it said "had (appellant) interposed the defense of illegality at the threshold of the case, no doubt the injunctive relief would have been with-held."

But Appellant in reply begs to plead that he was not guilty of any negligence in asserting his defenses.

In the Court below Appellee asserted that *whatever use* to which he put his patented device, *such fact is immaterial,* and cited Mills v. Ind. Nov. Co., 230 Fed. 463, in support of his position. In that case "The answer specifically alleged that the only use to which device was put was for *gambling* purposes, and therefore plaintiff had no standing in a court of equity. The plaintiff moved to strike this paragraph from the answer and the motion was granted. The defendant made a counter motion by which it sought to amend by alleging further that the patented device was *"incapable* of any other use; that the profits, if any, derived by defendant from the alleged infringement complained of are profits made in violation of public policy and good morals and are of such character that plaintiff can have no right to recover the same; but the court denied such motion also, saying:

"Granting there is a valid patent in the case the defendants are not concerned with the particular use which the plaintiff makes of his monopoly"; and the court cited Fuller v. Berger, 120 Fed. 274, C. C. A. 7th Cir. 1903, reversing the decree of the lower court refusing an injunction on the same ground. A petition for the

certiorari was denied in the last mentioned case, 193 U. S. 669, 48 L. Ed. 839.

And note also the view point of the trial court when Appellant tried to show the character of Appellee's device. The trial court held that to be *immaterial* and sustained Appellant's objection (Trans. p. 75).

In this Court Appellee in his brief took the position that the very rule of law which he urged in his favor in the Court below and on which he secured his injunction was wrong; not because of any latter decision but because wrong in principle; thus showing that Appellee is juggling his case in court.

Whatever this court may deem to be the correct rule of law, the question so presented had not been passed in this Circuit, and Appellant was compelled to accept the doctrine of said cases.

In the next place the character of the device on which Appellee's alleged patent was granted is manifest from an inspection of the drawings of the patent, and the device itself. That was the observation of the Supreme Court of Washington in passing on appellee's device. That court condemned it, because it intended to appeal to * * * the gambling instinct * * *, of getting "something for nothing". Dwyer v. Seattle, 199 Pac. 740-741.

Until such decision by the Supreme Court—July 28, 1921—several months after the patent case had been tried and decided the device stood adjudged as being lawful by the decrees of the Superior Court of Wash-

ington; and Appellee asserted in the court below that the devices were lawful.

The character of the devices was wholly ancillary to the question to be determined.

The decision of the District Court in the injunction suit was primarily based upon the fact that Appellee's "patent if valid at all is a very narrow one, consisting of but a slight improvement in the art"; and that there was no infringement by Appellant (Trans. 26). The opinion shows that *Appellee was trying to recover on claims rejected and canceled in the Patent Office,* and had full personal knowledge of all these facts; thus, in brief, Appellee knew when he brought the suit that his charge of infringement was wholly without cause; and, as mentioned, the Master found that he *was not acting in good faith.*

Applicant's petition for his order of reference specifically alleged appellee's said wrongful acts. Appellee took an appeal from the decree of dismissal of the District Court and assigned as one alleged error the granting of said order of reference. Pending the time for perfecting Appellee's appeal the injunctive decree of the Seattle Superior Court was reversed and said device was declared to be illegal. Then Appellee abandoned his said appeal, without disclosing his reason, and Appellant proceeded to take testimony before the Master. In so doing Appellant expended a large sum of money; this might have been avoided had the questions presented by Appellee's appeal been determined. In short Appellee by abandoning his said appeal induced

Appellant to proceed in said reference and thus to incur great trouble and expense.

Appellant submits that he has had to bear more than his transgression merits; had even to give heavy bonds in the court below in order to maintain, during this appeal, the security given on the wrongful injunction; and may now even be subjected to a claim of damage on the part of the Appellee. On the other hand the acts of Appellee, the greater transgressor, the malicious abuser of the solemn process of injunction for ulterior purposes, have, seemingly, been overlooked at every stage of this case.

During the whole time that Appellant operated his devices their legality was still recognized by the courts before whom they came. Appellant was within his rights in using his own invention (Smith v. Nichols, 21 Wall; 88 U. S. 112; 22 L. Ed. 566); was accountable only for any infraction of the law, and for that he was answerable only to the tribunals who had jurisdiction of such matters.

The malicious abuse of Appellee of the process of injunction, for ulterior purposes, being confessed, it would seem that, *under the doctrine of public policy, Appellee should be subjected to some discipline in the premises, and that the principle*—"shall a wrong doer be permitted to profit by his own wrong," is issued as a challenge by the record

The comment of De Grey Ch. J. in Jaques v. Golightly 96 Eng. Rpts. Reprint P. 632, is applicable:

Appellee though a self confessed transgressor (and an abuser of process) is seeking the favor of the court; he says that the transactions of the parties in the premises were illegal, and therefore he has *scruples* in conscience to pay any damages; but he has *no scruples* in conscience to retain the *benefits* of his own wrongful and malicious acts. In Jones v. Bartley, 99 Eng. Rpts. reprint, 434, 444, Lord Mansfield remarks "No man will venture to take if he knows he is liable to refund."

It is submitted that the grave question arising on the facts here presented should have the further consideration and adjudication of this august Court, for the guidance and vindication of the community, and the preservation of the integrity of the Court's process.

Therefore it is prayed that this petition be allowed.

Respectfully submitted,

T. J. GEISLER,
Attorney for Appellant.

I hereby certify that in my judgment the foregoing petition for rehearing is well founded, and that it is not interposed for delay.

Of Counsel for Appellant.